



STATE BOARD OF LAND COMMISSIONERS

Dirk Kempthorne, Governor and President of the Board
Ben Ysursa, Secretary of State
Lawrence G. Wasden, Attorney General
Keith L. Johnson, State Controller
Marilyn Howard, Superintendent of Public Instruction

Winston A Wiggins, Secretary to the Board

Final Minutes Regular Land Board Meeting September 9, 2003

The regular meeting of the Idaho State Board of Land Commissioners was held on Tuesday, September 9, 2003 in Boise, Idaho. The meeting began at 9:08 a.m. The Honorable Dirk Kempthorne presided. The following members were present:

Honorable Secretary of State Ben Ysursa
Honorable Attorney General Lawrence G. Wasden
Honorable Superintendent of Public Instruction Marilyn Howard

Secretary to the Board Winston A Wiggins

State Controller Keith Johnson participated in the meeting by conference phone.

• CONSENT AGENDA

Director Wiggins provided background information on the Consent Agenda items.

A motion was made by Attorney General Wasden to approve the Consent Agenda in its entirety. Superintendent Howard seconded the motion. The motion carried on a vote of 5-0.

1. Director's Report – approved

- A. Interest Rate on Department Transactions – August 2003
- B. Bureau of Surface and Mineral Resources, Minerals Section, Official Transactions – July 2003
- C. Bureau of Real Estate, Land Sale Section, Official Transactions – July 2003
- D. Bureau of Real Estate, Easement Section, Official Transactions – July 2003
- E. Bureau of Surface and Mineral Resources, Range Management and Surface Leasing Section, Official Transactions – July 2003
- F. Timber Sale Official Transactions – July 30, 2003 through August 26, 2003
- G. Timber Sale Activity Report
- H. Current Legal Matter Summary
- I. Fire Season Update

DISCUSSION: Fire Season Summary to Date – The Emergency Fire Suppression estimate is \$11,000,000, with \$715,000 being reimbursable, with a total general fund estimated obligation of \$10,285,000. On the up side, there was considerable rain in the northern part of the state over the last couple of days. The forecast indicates rain this afternoon through the south. While this may not be the end of the fire season, it will certainly cool things down to a level where ideally expenditures should not be too much beyond the current estimates.

2. Endowment Fund Investment Board's Manager's Report – Staffed by Matthew Haertzen, CFA, Manager of Investments, EFIB – no action taken

- A. Peer Comparisons
- B. Quarterly Performance Update
- C. FY-2005 Budget
- D. Spending Policy and Projections
- E. Legislative Initiatives
- F. Information Update
 - a. New Board Members
 - b. Audit
 - c. Custodian Search

DISCUSSION: Superintendent Howard asked Mr. Haertzen where dollar figures stand for the public school portion of the funds. Changing figures show a decrease anywhere from \$6,000,000 to \$12,000,000. Mr. Haertzen stated the fund experienced a substantial cut in expected revenues from the Department of Lands. With flat markets this year, the EFIB is forecasting that the July 2004 payment will be short approximately \$12,000,000. If markets improve, it is possible the full payment can be made to public schools. The shortfall can be made up with appreciation within the endowment. However, nine months still remain in the fiscal year. A conservative guess is there will be a shortage in the neighborhood of \$12,000,000.

Mr. Haertzen went on to say that his Board recently discussed the spending policy. As of August 25th, the total value of the endowments was \$660,000,000. For fiscal year 2004, \$55,000,000 is appropriated for payout to public schools and pooled, combined. The new numbers from Lands will provide about \$26.5 million in revenue this year, which leaves a need for \$28.5 million from the financial assets of the endowment, which is about 4.3%. Earning 4.3% is a reasonable return expectation. However, by statute the EFIB is required to not only make the beneficiary payments but to also protect the real value of the endowment. Historically, inflation has run about 3%. Idaho population growth also needs to be included. According to state economists, Idaho population growth is forecast at 1%. Using the 4.3% figure, and adding an additional four percentage points, means that the fund needs to earn over 8% per year to break even. While Mr. Haertzen feels this is an aggressive return target, he is reasonably comfortable with the 70-30 allocation. He believes the fund can earn around 8% over the long run. However, in the short run, some years will miss that target. The original goal was to build the earnings reserve to 50% of the value of the endowment. That goal is not achievable unless in excess of 8.3% is earned.

The EFIB is concerned about this number and has spoken with their consultant. Different simulations will be run, and the results of those simulations will be presented to the EFIB at their November board meeting. At that time, the EFIB will discuss the spending policy and whether a recommendation should be brought to the Land Board potentially lowering the spending policy level going forward. Fiscal year 2005 budgets will stay with the same spending policy, which is 7.5% over a three-year moving average. Budget figures for public schools fiscal year 2005 are shown at just under \$35 million. The pooled endowment is shown at \$16 million. These figures are provided from a budget perspective. The EFIB may come back in November with recommendations to lower that target.

Superintendent Howard asked Mr. Haertzen if he would be able to run some scenarios for her office showing what the effect would be if the spending policies are adjusted. Mr. Haertzen stated he could.

BOARD ACTION: No was action taken on this agenda item.

3. Timber Sales – Staffed by Bob Helmer, Chief, Bureau of Forest Management – approved

A. Butler Creek OSR	CR-20-0222	900	MBF
B. South Duffy	CR-40-0752	1,475	MBF
C. Redtail	CR-41-0015	2,600	MBF

4. Requirement for an Operating Bond to Conduct a Forest Practice – R L Mendoza and Tri-Corp – Staffed by Ron Litz, Assistant Director, Forestry and Fire – approved

DEPARTMENT RECOMMENDATION: That R L Mendoza and Tri-Corp, *dba* Tri-Corp of Nevada, Inc., and any other partnership, corporation or association of whatever nature in which Tri-Corp has a legal interest, shall be subject to the operating bond provisions of Section 38-1306B, Idaho Code, and will have an on-site inspection by the state prior to commencement of any forest practice. This requirement shall be valid for three years from the date of the Land Board's decision.

DISCUSSION: State Controller Johnson requested additional information regarding Tri-Corp's violations. Director Wiggins stated six separate violations have been documented: (1) tractor skidding in stream protection zone; (2) improper fuel storage in stream protection zone; (3) road and trail drainage; debris buried in landing and road fills; (4) inadequate Class II stream protection; harvested below minimum stocking; (5) excess slash in stream; plugged culvert; (6) side cast fill/slash into Class I Stream Protection Zone. The bulk of the violations are of the stream protection zone, which has a direct impact on clean water.

BOARD ACTION: Approved.

5. Request for Final Approval for the State of Idaho/Robert T. Hitchcock Land Exchange – Staffed by Perry Whittaker, Chief, Bureau of Real Estate – approved

DEPARTMENT RECOMMENDATION: Direct the Department to complete the exchange proposal.

BOARD ACTION: Approved.

6. Results of Grazing Lease Auctions – Staffed by Tracy Behrens, Program Manager, Range and Cropland – approved

DEPARTMENT RECOMMENDATION: That the Board accept the high bids submitted at the auctions for leases G-5530 and G-1835 and direct the Department to issue new ten-year grazing leases to the highest bidders. That the Board direct the Department to issue a new ten-year lease to the current lessee for lease G-7259, as the conflict applicant withdrew his application, and no bids were received at the auction. Each lease will include a summary of the grazing management proposal submitted by the high bidder and accepted by the Department.

BOARD ACTION: Approved.

7. Minutes – approved

A. Regular Land Board Meeting – August 12, 2003

- **Regular Agenda**

8. Fiscal Year 2005 Department of Lands Budget Proposal – Presented by Winston Wiggins, Director – approved

DEPARTMENT RECOMMENDATION: Direct the Department to forward the proposed FY-2005 budget to the Legislature for consideration.

DISCUSSION: Transcript available upon request.

BOARD ACTION: A motion was made by Secretary of State Ysursa to accept the Department's recommendation. Attorney General Wasden seconded the motion. The motion carried on a vote of 4-0. Governor Kempthorne recused himself from this vote.

- *At 10:12 a.m. a motion was made by Attorney General Wasden to resolve into Executive Session. Secretary of State Ysursa seconded the motion. The motion carried on a vote of 5-0.*

- **EXECUTIVE SESSION**

A. To Consider Records that are Exempt from Disclosure [[Idaho Code § 67-2345\(1\)\(d\)](#)]

B. To Consider and Advise Its Legal Representatives in Pending Litigation or Where There is a General Public Awareness of Probable Litigation [[Idaho Code § 67-2345\(1\)\(f\)](#)]

C. To Consider Personnel Matters [[Idaho Code § 67-2345\(1\)\(b\)](#)]

- *At 10:33 a.m. a motion was made by Superintendent Howard to resolve into Regular Session. Attorney General Wasden seconded the motion. The motion carried on a vote of 5-0.*

There being no further business to come before the Board, the meeting adjourned at 10:35 a.m.

IDAHO STATE BOARD OF LAND COMMISSIONERS

/s/ Dirk Kempthorne

President, State Board of Land Commissioners and
Governor of the State of Idaho

/s/ Ben Ysursa

Ben Ysursa
Secretary of State

/s/ Winston A Wiggins

Winston A Wiggins
Director

<p>The above-listed final minutes were approved by the State Board of Land Commissioners at the November 12, 2003 regular Land Board meeting.</p>
